

AMENDED IN ASSEMBLY AUGUST 7, 2013

AMENDED IN ASSEMBLY JUNE 24, 2013

AMENDED IN SENATE MAY 28, 2013

AMENDED IN SENATE MAY 1, 2013

AMENDED IN SENATE APRIL 17, 2013

SENATE BILL

No. 416

Introduced by Senator Liu

(Coauthor: Assembly Member Holden)

February 20, 2013

An act to amend Sections 54236 and 54237 of, and to add Sections 54237.3 and 54237.7 to, the Government Code, relating to surplus residential property, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 416, as amended, Liu. Surplus residential property.

Existing law declares the intent of the Legislature to preserve, upgrade, and expand the supply of housing to persons and families of low or moderate income, through the sale of *specified* surplus residential property owned by public agencies. Existing law establishes priorities and procedures that any state agency disposing of *that* surplus residential property is required to follow, and defines relevant terms for these purposes, including “fair market value.”

This bill would revise the definition of “fair market value” for purposes of the sale of *this* surplus residential property, to reflect the existing “as is” condition of the property, taking into account any needed repairs.

Existing law requires *specified* single-family residences to be first offered to their present occupants, at an affordable price, as defined. Under existing law, the selling agency has the option of making repairs to the property required by lenders or government assistance programs, or providing the occupants with a replacement dwelling, pursuant to a specified provision of law.

This bill would revise the procedures applicable to the sale of *these* surplus residential properties not otherwise sold pursuant to existing procedures, to be offered to current and former tenants in good standing, respectively, and to purchasers who will be owner occupants. The bill additionally would require the selling agency to offer tenants in good standing of nonresidential properties to be given priority to purchase the property they occupy. The bill would authorize the Department of Transportation to offer a residence or property in an “as is” condition, at the request of a person with priority to purchase the residence or property in accordance with existing law.

This bill would require proceeds from sales of surplus residential property to be placed in the SR-710 Rehabilitation Account, created by the bill, and would continuously appropriate these funds for the purpose of providing specified repairs to the properties until the last of the properties is repaired, at which time the funds, *less any reimbursements due to the federal government*, would be transferred to the State Highway Account, *for allocation by the California Transportation Commission*, as specified.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 54236 of the Government Code is
- 2 amended to read:
- 3 54236. (a) As used in this article, the term “offer” means to
- 4 solicit proposals prior to sale in a manner calculated to achieve a
- 5 sale under the conditions specified, and to hold the offer open for
- 6 a reasonable period of time, which shall be no more than one year,
- 7 unless the time is extended by the selling agency at its discretion,
- 8 for a period to be specified by the selling agency.
- 9 (b) As used in this article, the term “affordable price” means,
- 10 in the case of a purchaser, other than a lower income household,
- 11 the price for residential property for which the purchaser’s monthly

1 payments will not exceed that portion of the purchasing
2 household's adjusted income as determined in accordance with
3 the regulations of the United States Department of Housing and
4 Urban Development, issued pursuant to Section 235 of the National
5 Housing Act; and, in the case of a purchaser that is a lower income
6 household, the price for residential property for which the
7 purchaser's monthly payments will not exceed that portion of the
8 purchasing household's adjusted income as determined in
9 accordance with the regulations of the United States Department
10 of Housing and Urban Development issued pursuant to Section 8
11 of the United States Housing Act of 1937.

12 (c) As used in this article, the term "single-family residence"
13 means a real property improvement used, or intended to be used,
14 as a dwelling unit for one family.

15 (d) As used in this article, the term "surplus residential property"
16 means land and structures owned by any agency of the state that
17 is determined to be no longer necessary for the agency's use, and
18 that is developed as single-family or multifamily housing, except
19 property being held by the agency for the purpose of exchange.

20 Surplus residential properties shall only include land and
21 structures that, at the time of purchase by the state, the state had
22 intended to remove the residences thereon and to use the land for
23 state purposes.

24 (e) As used in this article, the term "displacement" includes,
25 but is not limited to, persons who will have to move from surplus
26 residential property that they occupy when it is sold by a state
27 agency because they are unable to afford to pay the price that the
28 state agency is asking for the residential property.

29 (f) As used in this article, the term "fair market value" shall
30 mean fair market value as of the date the offer of sale is made by
31 the selling agency pursuant to the provisions of this article and
32 shall reflect the existing "as is" condition of the property, taking
33 into account any repairs required to make the property safe and
34 habitable. This definition shall not apply to terms of sale that are
35 described as mitigation measures in an environmental study
36 prepared pursuant to the Public Resources Code if the study was
37 initiated before this measure was enacted.

38 (g) As used in this article, the term "affordable rent" means, in
39 the case of an occupant person or family, other than a person or
40 family of low or moderate income, rent for residential property

1 that is not more than 25 percent of the occupant household's gross
2 monthly income, and in the case of an occupant person or family
3 of low or moderate income, rent for residential property that is not
4 more than the percentage of the adjusted income of the occupant
5 person or family as permitted under regulations of the United States
6 Department of Housing and Urban Development issued pursuant
7 to Section 8 of the United States Housing Act of 1937, but not in
8 excess of the market rental value for comparable property.

9 (h) As used in this article, the term "area median income" means
10 median household income, adjusted for family size as determined
11 in accordance with the regulations of the United States Department
12 of Housing and Urban Development issued pursuant to Section
13 235 of the National Housing Act, as amended (Public Law 90-448),
14 for the standard metropolitan statistical area (SMSA), in which
15 surplus residential property to be disposed of pursuant to this article
16 is located, or the county in which the property is located, if it is
17 outside an SMSA.

18 (i) As used in this article, the term "persons and families of low
19 or moderate income" means persons and families who meet both
20 of the following conditions:

21 (1) Meet the definition of persons and families of low or
22 moderate income set forth in Section 50093 of the Health and
23 Safety Code.

24 (2) Have not had an ownership interest in real property in the
25 last three years.

26 (j) As used in this article, the term "lower income households"
27 means lower income households as defined in Section 50079.5 of
28 the Health and Safety Code.

29 SEC. 2. Section 54237 of the Government Code is amended
30 to read:

31 54237. (a) Notwithstanding Section 11011.1, any agency of
32 the state disposing of surplus residential property shall do so in
33 accordance with the following priorities and procedures:

34 (1) First, all single-family residences presently occupied by
35 their former owners shall be offered to those former owners at the
36 appraised fair market value.

37 (2) Second, all single-family residences shall be offered,
38 pursuant to this article, to their present occupants who have
39 occupied the property two years or more and who are persons and
40 families of low or moderate income.

1 (3) Third, all single-family residences shall be offered, pursuant
2 to this article, to their present occupants who have occupied the
3 property five years or more and whose household income does not
4 exceed 150 percent of the area median income.

5 (4) Fourth, a single-family residence shall not be offered,
6 pursuant to this article, to present occupants who are not the former
7 owners of the property if the present occupants have had an
8 ownership interest in real property in the last three years.

9 (b) Single-family residences offered to their present occupants
10 pursuant to paragraphs (2) and (3) of subdivision (a) shall be
11 offered to those present occupants at an affordable price, which
12 price shall not be less than the price paid by the agency for original
13 acquisition, unless the acquisition price was greater than the current
14 fair market value, and shall not be greater than fair market value.
15 When single-family residences are offered to present occupants
16 at a price that is less than fair market value, the selling agency
17 shall impose terms, conditions, and restrictions to ensure that the
18 housing will remain available to persons and families of low or
19 moderate income and households with incomes no greater than
20 the incomes of the present occupants in proportion to the area
21 median income. The Department of Housing and Community
22 Development shall provide to the selling agency recommendations
23 of standards and criteria for these prices, terms, conditions, and
24 restrictions. The selling agency shall provide repairs required by
25 lenders and government housing assistance programs, or, at the
26 option of the agency, provide the present occupants with a
27 replacement dwelling pursuant to Section 54237.5.

28 (c) If single-family residences are offered to their present
29 occupants pursuant to paragraphs (2) and (3) of subdivision (a),
30 the occupants shall certify their income and assets to the selling
31 agency. When single-family residences are offered to present
32 occupants at a price that is less than fair market value, the selling
33 agency may verify the certifications, in accordance with procedures
34 utilized for verification of incomes of purchasers and occupants
35 of housing financed by the California Housing Finance Agency
36 and with regulations adopted for the verification of assets by the
37 United States Department of Housing and Urban Development.
38 The income and asset limitations and term of residency
39 requirements of paragraphs (2) and (3) of subdivision (a) shall not
40 apply to sales that are described as mitigation measures in an

1 environmental study prepared pursuant to the Public Resources
2 Code, if the study was initiated before this measure was enacted.

3 (d) All other surplus residential properties and all properties
4 described in paragraphs (1), (2), and (3) of subdivision (a) that are
5 not purchased by the former owners or the present occupants shall
6 be then offered to housing-related private and public entities at a
7 reasonable price, which is best suited to economically feasible use
8 of the property as decent, safe, and sanitary housing at affordable
9 rents and affordable prices for persons and families of low or
10 moderate income, on the condition that the purchasing entity shall
11 cause the property to be rehabilitated and developed as limited
12 equity cooperative housing with first right of occupancy to present
13 occupants, except that where the development of cooperative or
14 cooperatives is not feasible, the purchasing agency shall cause the
15 property to be used for low and moderate income rental or
16 owner-occupied housing, with first right of occupancy to the
17 present tenants. The price of the property in no case shall be less
18 than the price paid by the agency for original acquisition unless
19 the acquisition price was greater than current fair market value
20 and shall not be greater than fair market value. Subject to the
21 foregoing, it shall be set at the level necessary to provide housing
22 at affordable rents and affordable prices for present tenants and
23 persons and families of low or moderate income. When residential
24 property is offered at a price that is less than fair market value, the
25 selling agency shall impose terms, conditions, and restrictions as
26 will ensure that the housing will remain available to persons and
27 families of low or moderate income. The Department of Housing
28 and Community Development shall provide to the selling agency
29 recommendations of standards and criteria for prices, terms,
30 conditions, and restrictions.

31 (e) Any surplus residential properties not sold pursuant to
32 subdivisions (a) to (d), inclusive, shall then be sold at fair market
33 value, with priority given first to purchasers who are present tenants
34 in good standing with all rent obligations current and paid in full,
35 second to former tenants who were in good standing at the time
36 they vacated the premises, *with priority given to the most recent*
37 *tenants first*, and then to purchasers who will be owner occupants.
38 *The selling agency may commence the sales of properties that*
39 *former tenants may possess a right to purchase as provided by*

1 *this subdivision 30 days after the selling agency has done both of*
2 *the following:*

3 *(1) Posted information regarding the sales under this subdivision*
4 *on the selling agency's Internet Web site.*

5 *(2) Made a good faith effort to provide written notice, by first*
6 *class mail, to the last known address of each former tenant.*

7 (f) Tenants in good standing of nonresidential properties shall
8 be given priority to purchase, at fair market value, the property
9 they rent, lease, or otherwise legally occupy.

10 SEC. 3. Section 54237.3 is added to the Government Code, to
11 read:

12 54237.3. Notwithstanding the requirement to provide repairs
13 in subdivision (b) of Section 54237, the Department of
14 Transportation may offer a residence or property in an "as is"
15 condition at the request of a person given priority to purchase
16 pursuant to paragraphs (2) and (3) of subdivision (a) of Section
17 54237.

18 SEC. 4. Section 54237.7 is added to the Government Code, to
19 read:

20 54237.7. ~~The~~ *Notwithstanding Section 183.1 of the Streets and*
21 *Highways Code, the Department of Transportation shall deposit*
22 *proceeds from sales pursuant to this article into the SR 710*
23 *Rehabilitation Account, which is hereby created. Notwithstanding*
24 *Section 13340, funds in the account are hereby continuously*
25 *appropriated to the department without regard to fiscal years for*
26 *the purpose of providing repairs required pursuant to subdivision*
27 *(b) of Section 54237. The total funds maintained in the account*
28 *shall not exceed five hundred thousand dollars (\$500,000). Funds*
29 *exceeding that amount, less any reimbursements due to the federal*
30 *government, shall be transferred to the State Highway Account in*
31 *the State Transportation Fund to be used for allocation by the*
32 *California Transportation Commission, after consultation with*
33 *the Los Angeles County Metropolitan Transportation Authority,*
34 *exclusively to fund-eligible projects located in Pasadena, South*
35 *Pasadena, Alhambra, La Canada Flintridge, and the community*
36 *of El Sereno in the City of Los Angeles and the 90032 postal ZIP*
37 *Code. Projects eligible to be funded are sound walls; transit; rail*
38 *capital improvements; bikeways; pedestrian improvements;*
39 *streetscapes; signal synchronization; left turn signals; and major*
40 *street resurfacing, rehabilitation, and reconstruction. The funds*

1 shall not be used to advance or construct ~~the~~ *any* proposed North
2 State Route 710 tunnel. Any funds remaining in the SR-710
3 Rehabilitation Account on the date that final payment due for the
4 last of the properties repaired has been made, *less any*
5 *reimbursements due to the federal government*, shall be transferred
6 to the State Highway Account in the State Transportation Fund,
7 *to be used exclusively for the purposes described in this section.*

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